

INDEPENDENCE

DAY

For the first time, Olivia was thinking about a life substantially separate from her parents' home. After graduating from high school she had been working for a few years in retail sales, earning plenty to pay for her used car, clothes, and incidental expenditures. Now she was developing plans—plans to go to the local community college to pursue training in a healthcare occupation. Her boyfriend had recently been promoted to assistant manager of an auto supply store and they were talking about building a future together.

Olivia knew that striking out on her own, working part-time, going to school, and possibly forming a new family would require her to get serious about managing money for the first time. While she had learned about "budgeting" in high school, she had never used a written plan for spending her money, nor tracked her actual spending.

Can Olivia achieve her goals financially? It is time to break out a spending plan, with a monthly budget.

Olivia began by developing a worksheet that showed various categories with approximate monthly spending amounts for an average person. She added two additional columns, one for what she planned on spending in the next month and finally a column to record what she actually spent when the month was over.

By following the five basic steps of budgeting every month Olivia was confident that she could line up her income and expenses to live independently.

Budgeting

Five Budgeting Steps

1. Identify after-tax income and expenditures
2. Draft a written plan
3. Monitor your spending
4. Review your progress
5. Make monthly adjustments

your budget

Are your actual expenditures less than your monthly net income, after taxes?

Category	Average Monthly Amount	Your Anticipated Monthly Costs	Your Actual Monthly Spending
Food at Home	100		
Food away from Home	120		
Shelter	200		
Transportation (includes auto loan, insurance, gas)	150		
Clothing (includes personal care items, haircuts, accessories)	250		
Insurance (medical, property)	50		
Education	100		
Entertainment	75		
Medical/Dental	75		
Other	250		
Total	\$1,370		